STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter, on the Commission's own motion, regarding the regulatory reviews, revisions, determinations, and/or approvals necessary for **INDIANA MICHIGAN POWER COMPANY**, to fully comply with Public Act 295 of 2008, as amended.	)	Case No. U-18263

At the January 23, 2018 meeting of the Michigan Public Service Commission in Lansing, Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On August 1, 2017, in compliance with Public Act 295 of 2008 (Act 295), as amended by Public Act 342 of 2016 (Act 342), and the Commission's guidance, Indiana Michigan Power Company (I&M), filed an application with supporting testimony and exhibits requesting approval of its energy waste reduction plan (EWRP). The application described how I&M will achieve compliance with Act 295, as amended by Act 342, by proposing cost-effective energy waste reduction (EWR) programs to each customer class (including low income), explaining how those programs will be administered, specifying the funding necessary for the EWRP and how EWRP costs will be recovered, explaining how charges collected from a particular customer class will be spent on programs for that class, describing the process for obtaining an independent expert evaluation of the programs, and ensuring that the funding is sufficient to ensure achievement of statutory standards.

On September 13, 2017, a prehearing conference was held before Administrative Law Judge Suzanne D. Sonneborn. I&M and Commission Staff participated in the proceeding. Subsequently, the parties entered into a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceedings, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. The Commission accepts Indiana Michigan Power Company's energy waste reduction plan, consisting of an application and pre-filed testimony and exhibits, as modified and reflected in the settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungp1@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of January 23, 2018.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion, regarding the regulatory reviews, revisions, determinations, and/or approvals necessary for Indiana Michigan Power Company, to fully comply with Public Act 295 of 2008, as amended by Public Act 342 Of 2016	**)**	**Case No. U-18263**

SETTLEMENT AGREEMENT

Pursuant to Section 78 of the Administrative Procedures Act of 1969 as amended (1969 PA 306, § 78; MCL 24.278) (the "APA"), and Rule 333 of the Rules of the Practice and Procedure Before the Commission, R. 460.17333, Indiana Michigan Power Company ("I&M") and the Michigan Public Service Commission ("Commission") Staff ("Staff"), hereby agree as follows:

1. On October 6, 2008, the "Clean, Renewable, and Efficient Energy Act," 2008 PA 295, MCL 460.1001 ("Act 295" or "PA 295") was signed into law. Among other things, Act 295 requires all providers of electric and gas service to establish Energy Optimization Plans (EOPs) with the Commission for review and approval. Section 71 of PA 295 requires that an EOP: (a) propose a set of EOPs that include offerings for each customer class; (b) specify necessary funding levels; (c) describe how EOP costs will be recovered; (d) ensure that, to the extent feasible, charges collected from a particular rate class are spent on EOPs for that rate class; (e) demonstrate that the proposed EOPs and funding are sufficient to ensure achievement of the applicable standards; (f) specify whether the number of megawatt hours of electricity used in the calculation of incremental energy savings will be weather-normalized or based on the average

number of megawatt hours of electricity sold annually during the previous three years to retail customers in Michigan; (g) demonstrate that the EOPs will be cost-effective; (h) provide for the practical and effective administration of the proposed EOPs; and, (i) include a process for obtaining an independent expert evaluation of the actual EOPs to verify the incremental energy savings from each EOP.

2. On December 4, 2008, the Commission issued a "temporary order" in Case No. U-15800 implementing section 71 PA 295's provisions (the "Temporary Order"). The Temporary Order required that an EOP must: (1) propose a set of programs that will meet energy savings targets established by PA 295; (2) include offerings for each customer class, including low income residential; (3) specify necessary funding levels; (4) propose cost recovery mechanisms that will allow recovery of EOP costs; (5) demonstrate that the offered EOP (except for low income programs) will be cost-effective; and, (6) provide for the practical and effective administration of the proposed programs. The Temporary Order also authorized the deferment of EOP implementation costs.

3. In December 2016, the Governor signed 2016 PA 342 ("Act 342" or "PA 342") into law, which amended PA 295 in several significant ways that are outlined in the Commission's March 28, 2017 Order in this case (the "Order"). Of relevance to this settlement agreement, PA 342 changed "energy optimization" to Energy Waste Reduction ("EWR") and codified the procedures for EWR plans ("EWRPs") and amendments that generally mirror the processes that have been used since 2008.

4. In response to the number of changes that have occurred since PA 295's implementation, the Commission issued Order No. U-18260 *et al*. to provide electric and

gas providers guidance as to expectations for the EWR program going forward. Under PA 342, currently approved EOPs continue as EWRPs, subject to amendment. Forward looking, however, biennial EWRPs are still required and the Commission recommended that providers continue to use the model contained in Attachment E to the Temporary Order for such future EWRPs.

5. On August 1, 2017, in compliance with Act 295, Act 342, and the Commission's guidance, I&M filed an application and EWRP with the Commission describing how it will achieve compliance with PA 295 and PA 342 by proposing cost-effective EWR programs to each customer class (including low income), explaining how those programs will be administered, specifying the funding necessary for the EWRP and how EWRP costs will be recovered, explaining how charges collected from a particular customer class will be spent on programs for that class, describing the process for obtaining an independent expert evaluation of the programs, and ensuring that the funding is sufficient to ensure achievement of PA 295 and PA 342's goals and standards. The Application was supported by the testimony and exhibits of Jon C. Walter, Bryan S. Owens, and Jennifer C. Duncan.

6. I&M's Application requested that the Commission: (A) accept the application, testimony and exhibits setting forth I&M's EWRP and the associated surcharge; (B) fix a time and place for a hearing and give notice thereof in accordance with the law and rules of practice established by this Commission; (C) find that I&M's EWRP, as filed, fulfills all of the statutory requirements of 2008 PA 295, as amended by 2016 PA 342, and approve the surcharge, as filed, to recover the costs of the EWRP; and (D) grant such other and further relief as is just and reasonable.

7. On September 13, 2017, a prehearing conference was held pursuant to the Commission's Notice of Hearing. The prehearing conference was conducted as a contested case matter pursuant to the APA. At the prehearing conference, I&M presented proof of service of the Notice of Hearing on all cities, incorporated villages, townships, and counties in its Michigan electricity service area and to any intervenors. Staff and I&M participated in the proceeding and there were no intervenors.

8. The parties have had extensive discussions, and have agreed to enter into this Settlement Agreement. In view of the foregoing, and pursuant to Section 78 of the APA (MCL 24.278), I&M and Staff hereby stipulate and agree as follows:

a. The Home Energy Management ("HEM") and Work Energy Management ("WEM") programs will be approved as filed in I&M's original application, including deferral of the associated costs to be recovered in I&M's next rate case.

b. The annual incremental energy savings will be recognized for each year of the respective programs' (Electric Energy Consumption Optimization ("EECO"), HEM, and WEM) operation, consistent with I&M's 2018/2019 EWR Plan filing, toward I&M's 1% standard compliance and financial incentive earnings achievement for both first year savings and lifetime savings elements.

c. The parties agree to the performance incentive mechanism methodology for calculating the performance incentive for 2018 and 2019 as set forth in Exhibit 1.

d. I&M will undertake the following plan in execution of its Income Qualified ("IQ") programs for the 2018/2019 EWR Plan:

   i. Add a position the responsibilities for which will include managing I&M's Michigan IQ program outreach and community organization relationships with Community Based Organizations (CBOs) and Community Action Agencies (CAAs);

   ii. Engage Michigan-based audit and weatherization contractor support on a contract basis; and

iii. Target IQ participants using data analysis of customer arrearages and non-payment activity.

e. I&M will use actual verified energy savings for reporting behavior energy savings against the 1% standard goal and limit the EWR Plan behavior energy savings to 15% of the residential portfolio.

f. I&M will allocate 100% of the costs of the Public Efficient Streetlight ("PES") Program to the Commercial and Industrial class of customers.

g. The calculation of targets will not include the use of saving multipliers, consistent with Commission direction provided in the March 28, 2017 Order in U-18260 *et al.*

9. All the signatories are of the opinion that this Settlement Agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of this case only.

10. The parties respectfully request that the Commission promptly issue an order accepting and approving this Settlement Agreement. If the Commission issues an order accepting and adopting the Settlement Agreement without modification, no party will appeal, challenge, or contest the Commission's Order accepting and approving this Settlement Agreement. If the Commission does not accept and approve this Settlement Agreement without modification, this Settlement Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

11. This Settlement Agreement has been made for the sole and express purpose of reaching compromise among the positions of the signatory parties in Case No. U-18263 without prejudice to their rights to take new and/or different positions in other proceedings. If the Commission approves this settlement agreement without modification, neither the parties to this settlement agreement nor the Commission shall make any reference to or use the settlement agreement or the order approving it as a

reason, authority, rationale, or example for taking any action or position or making any subsequent decision in this case or any other cases or proceedings; provided, however, such reference or use may be made to enforce the settlement agreement and order.

12. I&M and Staff jointly recommend that the Commission issue an Order Adopting Settlement Agreement.

13. The stipulations and agreements contained in this Settlement Agreement shall constitute the record needed to support the Commission order in this case.

14. Section 81 of the APA (MCL 24.281) is waived.

Dated: December __, 2017

Heather M.S. Durian

Digitally signed by Heather M.S. Durian
DN: cn=Heather M.S. Durian, o, ou=Attorney General Public Service Division, email=durianh@michigan.gov, c=US
Date: 2017.12.14 10:17:02 -05'00'

Heather M.S. Durian (P67587)
MICHIGAN PUBLIC SERVICE COMMISSION
COMMISSION STAFF
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Dated: December 13, 2017

Jason T. Hanselman

Digitally signed by: Jason T. Hanselman
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Indiana Michigan Power Company Energy Waste Reduction Plan
Financial Incentive Structure

Component 1			*Component 2*							
Annual 1st Year Savings Goal			Annual Lifetime Savings Goal*(kWh) Weighted 75%		Annual Lifetime Savings Goal* (kWh) Weighted 75%		Lifetime Income Qualified (IQ) Savings Goal** (kWh) Weighted 25%			
			2018		2019		2018		2019	
Tier 1	1.00%	15.00%	454,949,780	11.25%	478,906,347	11.25%	2,502,477	3.75%	2,840,028	3.75%
	1.01%	15.10%	459,499,278	11.34%	483,695,410	11.34%	2,527,501	3.78%	2,868,428	3.78%
	1.02%	15.19%	464,048,776	11.43%	488,484,474	11.43%	2,552,526	3.81%	2,896,829	3.81%
	1.03%	15.29%	468,598,273	11.51%	493,273,537	11.51%	2,577,551	3.84%	2,925,229	3.84%
	1.04%	15.38%	473,147,771	11.60%	498,062,600	11.60%	2,602,576	3.87%	2,953,629	3.87%
	1.05%	15.48%	477,697,269	11.69%	502,851,664	11.69%	2,627,600	3.90%	2,982,029	3.90%
	1.06%	15.58%	482,246,767	11.78%	507,640,727	11.78%	2,652,625	3.93%	3,010,430	3.93%
	1.07%	15.67%	486,796,265	11.87%	512,429,791	11.87%	2,677,650	3.96%	3,038,830	3.96%
	1.08%	15.77%	491,345,762	11.96%	517,218,854	11.96%	2,702,675	3.99%	3,067,230	3.99%
	1.09%	15.87%	495,895,260	12.04%	522,007,918	12.04%	2,727,699	4.01%	3,095,630	4.01%
	1.10%	15.96%	500,444,758	12.13%	526,796,981	12.13%	2,752,724	4.04%	3,124,031	4.04%
	1.11%	16.06%	504,994,256	12.22%	531,586,045	12.22%	2,777,749	4.07%	3,152,431	4.07%
	1.12%	16.15%	509,543,754	12.31%	536,375,108	12.31%	2,802,774	4.10%	3,180,831	4.10%
	1.13%	16.25%	514,093,251	12.40%	541,164,172	12.40%	2,827,799	4.13%	3,209,232	4.13%
	1.14%	16.35%	518,642,749	12.49%	545,953,235	12.49%	2,852,823	4.16%	3,237,632	4.16%
	1.15%	16.44%	523,192,247	12.57%	550,742,299	12.57%	2,877,848	4.19%	3,266,032	4.19%
	1.16%	16.54%	527,741,745	12.66%	555,531,362	12.66%	2,902,873	4.22%	3,294,432	4.22%
	1.17%	16.63%	532,291,243	12.75%	560,320,426	12.75%	2,927,898	4.25%	3,322,833	4.25%
	1.18%	16.73%	536,840,740	12.84%	565,109,489	12.84%	2,952,922	4.28%	3,351,233	4.28%
	1.19%	16.83%	541,390,238	12.93%	569,898,552	12.93%	2,977,947	4.31%	3,379,633	4.31%
	1.20%	16.92%	545,939,736	13.01%	574,687,616	13.01%	3,002,972	4.34%	3,408,034	4.34%
	1.21%	17.02%	550,489,234	13.10%	579,476,679	13.10%	3,027,997	4.37%	3,436,434	4.37%
	1.22%	17.12%	555,038,732	13.19%	584,265,743	13.19%	3,053,021	4.40%	3,464,834	4.40%
	1.23%	17.21%	559,588,229	13.28%	589,054,806	13.28%	3,078,046	4.43%	3,493,234	4.43%
	1.24%	17.31%	564,137,727	13.37%	593,843,870	13.37%	3,103,071	4.46%	3,521,635	4.46%
	1.25%	17.40%	568,687,225	13.46%	598,632,933	13.46%	3,128,096	4.49%	3,550,035	4.49%
Tier 2	1.26%	17.50%	573,236,723	13.54%	603,421,997	13.54%	3,153,121	4.51%	3,578,435	4.51%
	1.27%	17.60%	577,786,221	13.63%	608,211,060	13.63%	3,178,145	4.54%	3,606,836	4.54%
	1.28%	17.70%	582,335,718	13.72%	613,000,124	13.72%	3,203,170	4.57%	3,635,236	4.57%
	1.29%	17.80%	586,885,216	13.81%	617,789,187	13.81%	3,228,195	4.60%	3,663,636	4.60%
	1.30%	17.90%	591,434,714	13.90%	622,578,251	13.90%	3,253,220	4.63%	3,692,036	4.63%
	1.31%	18.00%	595,984,212	13.99%	627,367,314	13.99%	3,278,244	4.66%	3,720,437	4.66%
	1.32%	18.10%	600,533,710	14.07%	632,156,378	14.07%	3,303,269	4.69%	3,748,837	4.69%
	1.33%	18.20%	605,083,207	14.16%	636,945,441	14.16%	3,328,294	4.72%	3,777,237	4.72%
	1.34%	18.30%	609,632,705	14.25%	641,734,504	14.25%	3,353,319	4.75%	3,805,637	4.75%
	1.35%	18.40%	614,182,203	14.34%	646,523,568	14.34%	3,378,343	4.78%	3,834,038	4.78%
	1.36%	18.50%	618,731,701	14.43%	651,312,631	14.43%	3,403,368	4.81%	3,862,438	4.81%
	1.37%	18.60%	623,281,199	14.51%	656,101,695	14.51%	3,428,393	4.84%	3,890,838	4.84%
	1.38%	18.70%	627,830,696	14.60%	660,890,758	14.60%	3,453,418	4.87%	3,919,239	4.87%
	1.39%	18.80%	632,380,194	14.69%	665,679,822	14.69%	3,478,442	4.90%	3,947,639	4.90%
	1.40%	18.90%	636,929,692	14.78%	670,468,885	14.78%	3,503,467	4.93%	3,976,039	4.93%
	1.41%	19.00%	641,479,190	14.87%	675,257,949	14.87%	3,528,492	4.96%	4,004,439	4.96%
	1.42%	19.10%	646,028,688	14.96%	680,047,012	14.96%	3,553,517	4.99%	4,032,840	4.99%
	1.43%	19.20%	650,578,185	15.04%	684,836,076	15.04%	3,578,542	5.01%	4,061,240	5.01%
	1.44%	19.30%	655,127,683	15.13%	689,625,139	15.13%	3,603,566	5.04%	4,089,640	5.04%
	1.45%	19.40%	659,677,181	15.22%	694,414,203	15.22%	3,628,591	5.07%	4,118,041	5.07%
	1.46%	19.50%	664,226,679	15.31%	699,203,266	15.31%	3,653,616	5.10%	4,146,441	5.10%
	1.47%	19.60%	668,776,177	15.40%	703,992,330	15.40%	3,678,641	5.13%	4,174,841	5.13%
	1.48%	19.70%	673,325,674	15.49%	708,781,393	15.49%	3,703,665	5.16%	4,203,241	5.16%
	1.49%	19.80%	677,875,172	15.57%	713,570,456	15.57%	3,728,690	5.19%	4,231,642	5.19%
	1.50%	19.90%	682,424,670	15.66%	718,359,520	15.66%	3,753,715	5.22%	4,260,042	5.22%
Tier 3	1.51%	20.00%	686,974,168	15.75%	723,148,583	15.75%	3,778,740	5.25%	4,288,442	5.25%
	1.52%	20.00%	691,523,666	15.75%	727,937,647	15.75%	3,803,764	5.25%	4,316,842	5.25%
	1.53%	20.00%	696,073,163	15.75%	732,726,710	15.75%	3,828,789	5.25%	4,345,243	5.25%
	1.54%	20.00%	700,622,661	15.75%	737,515,774	15.75%	3,853,814	5.25%	4,373,643	5.25%
	1.55%	20.00%	705,172,159	15.75%	742,304,837	15.75%	3,878,839	5.25%	4,402,043	5.25%

*Calculated as 1st Year savings 1% Adjusted Target (IM-3 (JCW-3)) times the portfolio yearly weighted average measure life (IM-5 (JCW-5))

**IQ 1st Year savings as a percentage of total savings achieved (Exhibit IM-1 (JCW-1)); Average Measure Life of IQ programs set at 10.1 (Exhibit IM-5 (JCW-5))